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SIPDIS

COMMERCE FOR 3150/PBRADLEY/BSMITH
COMMERCE FOR 4201/ITA/IEP/OEERIS/BISNIS/EHOUSE
EMBASSIES - PLEASE PASS FCS
DEPT FOR EUR/CACEN, EB/CBA
ANKARA ALSO FOR CFC/ SNYDER/BALLINGER
PASS TDA-STEIN, OPIC, EXIM-TUMMINIA/PANARO

E.O. 12958: N/A

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SUBJECT: (IMI) ARMENIA, COMMERCIAL NEWS SUMMARY:
JANUARY, 2005

SUMMARY

[1](#)1. This cable summarizes press reporting on commercial developments in Armenia for January 2005. Major headlines include:

-- EBRD invests in private Armenian construction company;

-- French company takes over Armenia's water supply system under the World Bank credit program;

-- Kazakh bank plans to buy 48.9 percent of shares of Armenia's Interinvestbank;

-- A newly established Swiss-owned bank opens in Armenia; and

-- Armenia's National Statistics Service releases 2004 year-end statistics.
End Summary.

EBRD INVESTS IN ARMENIAN PRIVATE CONSTRUCTION COMPANY

[1](#)2. The European Bank for Reconstruction and Development (EBRD) invested 850,000 Euros to buy 28 percent of the Armenian construction company Shen Concern. This is the first time that EBRD has invested in a private construction enterprise in Armenia. Shen Concern will use EBRD funds to begin production of concrete products and other construction materials. By April 2005, the EBRD plans to increase its share of Shen Concern to 36 percent.

FRENCH COMPANY TO TAKE OVER ARMENIA'S WATER SYSTEM

[1](#)3. Saur France, one of the world's largest water supply companies, won the right to operate the Armenian Water and Sewerage Joint-Stock Company (AWSC) in an international tender in August 2004. The Government of Armenia and Saur France recently signed a management contract for four years with a possible two-year extension. AWSC is planning to invest USD 15.7 million over the next four years to restore the water supply system outside Yerevan. The World Bank financed USD 23 million of the project costs.

KAZAKH BANK TO BUY SHARE OF INTERINVESTBANK

[1](#)4. Kazakhstan-based TuranAlem Bank intends to acquire 48.9 percent of the Armenian Interinvestbank. Interinvestbank's two other shareholders are also foreign companies: ZRL from Austria (31.1 percent) and Mobilex from Kazakhstan (20 percent). The acquisition is awaiting approval of Armenia's Central Bank. TuranAlem's shareholders include EBRD, IFC, and several German banks.

A NEWLY ESTABLISHED SWISS-OWNED BANK OPENS IN ARMENIA

[1](#)5. A group of Diaspora-Armenians based in Switzerland recently established ArmSwiss Invest and Trust Bank (AITB) in Armenia. The Armenian Central Bank licensed AITB in July 2004, and the bank recently transferred the minimum statutory capital of USD 6 million to

Armenia. AITB plans to provide private banking services.

ARMENIA'S 2004 YEAR-END STATISTICS

16. According to the Armenian National Statistical Service, real GDP growth was 10.1 percent in 2004. Inflation was 7 percent, higher than the Central Bank's target of 3 percent. Armenia's foreign trade increased by 5.1 percent to USD 2.1 billion, despite a dramatic fall in Armenia's diamond trade. For the first nine months of 2004, trade with the U.S. accounted 8.8 percent of country's foreign trade, about USD 130 million. The average dram/dollar exchange rate was 533.45 dram/dollar.

EVANS